

# Packwood Tax Proposal Seeks Political Appeal

## TAXES, From A1

committee, chief of staff Bill Dieffenferer said.

Despite Packwood's effort to make the plan appealing to his colleagues, the proposal still faces strenuous objections from many committee members.

Packwood has proposed additional taxes in other areas to offset the preservation of tax breaks. The principal revenue source, bringing in \$62 billion over five years, is a provision that would repeal the deduction that businesses take for excise taxes and tariffs they pay. Other proposals would raise corporate taxes an additional \$110 billion, in order to finance a \$184 billion tax cut for individuals.

Packwood found room for numerous smaller provisions favored by members of his committee. Sen. John Heinz (R-Pa.) got a proposal to let ailing smokestack industries "sell" their unused investment tax credits back to the government at 70 cents on the dollar. Sen. Lloyd Bentsen (D-Tex.) and others got a permanent extension and expansion of the tax credit for research and development. Long retained tax breaks encouraging workers to buy their companies.

Senate Majority Leader Robert J. Dole (R-Kan.) got tax deductions for making buildings accessible to the handicapped. Sen. Charles E. Grassley (R-Iowa) got a deduction

for health-insurance costs for self-employed business persons such as farmers. Sen. Daniel Patrick Moynihan (D-N.Y.) got tax-favored retirement plans for nonprofit organizations and an exemption for charitable contributions from the minimum tax. Sen. Bill Bradley (D-N.J.) saw his proposed method of limiting deductions for upper-income taxpayers included in the plan.

Packwood also managed to squeeze some items on his own agenda into the plan. Several provisions to exempt fringe benefits from taxation would be made permanent. A new deduction for small-business investment was inserted even though it would cost \$20 billion. And timber, a crucial Oregon industry, would retain the favorable tax treatment it gets.

Sen. John C. Danforth (R-Mo.) got the R&D credit, retention of most of the tax credit for rehabilitation of old and historic buildings and, in a key last-minute victory, won the restoration of a tax advantage that would let defense contractors delay the payment of taxes on long-term contracts for years. Danforth said in a statement that Packwood "has done a remarkable job of correcting flaws in the House bill."

An earlier draft of the Packwood plan called for repeal of the so-called completed contract method of accounting, used extensively by defense and construction contractors. The final proposal did not, although staff aides said other accounting revisions would make contractors pay taxes.

Federal workers, on the other hand, were last-minute losers. The early draft did not include a provision in the House bill that would require retiring federal workers to pay taxes on their pensions immediately on retirement rather than receiving the tax-exempt portion first. Yesterday's plan included the House provisions, although it would be phased in over two years. Congressional aides said it was left out of the early draft by mistake.

Many of the provisions in the Packwood plan were inserted for tax-policy reasons as well as to satisfy political concerns. But Packwood and his staff made no secret of their desire to put together a package that would meet Reagan's criteria of lower rates, tax cuts for the poor and business incentives, and could obtain the tentative support of a majority of committee members.

Other elements of the Packwood plan would raise taxes, but those changes tend to affect interest groups that are not well liked by Finance Committee members. For example, the plan does away with a deduction for loan losses dear to commercial banks. It was the banks that launched a massive grass-roots lobbying campaign in 1983 that eventually forced the Senate to repeal withholding of taxes on interest and dividends.

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## TODAY IN CONGRESS

### SENATE

Meets at 9:30 a.m.

Committees:

**Appropriations**—10 a.m. Open. FY87 budget hrrgs. for Navy shipbuilding programs. 192 Dirksen Office Building.

**Armed Services**—10 a.m. Open.

Military construction subc. The mil. con. auth. bill. 232A Russell Office Building.

**Armed Services**—9 a.m. Open.

Strategic and theater nuclear forces subc. FY87 DOD auth. request related to ICB modernization. 222 ROB.

**Energy and Natural**

**Resources**—10:30 a.m. Open. Domestic and interna'l. petroleum situation. 366 DOB.

**Finance**—9:30 a.m. Open. Health subc. Hospitals' capital-related costs under Medicare. 215 DOB.

### HOUSE

Not in session.

Committees:

**Appropriations**—10 a.m. Open. Agriculture subc. Hrrg. with Agric. Sec. Richard Lyng. 2362 Rayburn House Office Building.

**Appropriations**—9 a.m. Open. Comm., justice, state and judiciary subc. Rep. allowances; diplo. and consular service emergencies; For. Serv. Retirement Fund; American Instit. in Taiwan; the Asia Foundation. H-310 Capitol.

**Appropriations**—10 a.m. Open. Labor-HHS-educ. subc. FY87 approps. for progs. under its jurisdiction. 2358 RHOB.

**Appropriations**—1 p.m. Open. Labor-HHS-educ. subc. FY87 approps. for Nat. Instit. of Health. 2358 RHOB.

**Government Operations**—10 a.m. Open. Env., energy and nat. res. subc. Reg. of haz. chemicals at nuc. facil.; accident at Kerr-McGee Corp. plant near Gore, Okla. 2154 RHOB.

**Judiciary**—9:30 a.m. Open. Civil and constit. rights subc. FBI auth. for FY87. FBI Dir. William Webster. 2237 RHOB.